
Consultation on the Early-Stage Assessment for Anticipatory Investment in Offshore Transmission

Response from The Crown Estate

July 2023

1 Key messages

- The Crown Estate supports Ofgem's proposals to enable anticipatory investment (AI) in coordinated transmission solutions for connecting offshore generation, and we welcome the further detail provided on how the Early-Stage Assessment (ESA) process could work. This will be important for offshore wind developers as it starts to tackle some of the potential risks and complexities of coordinated transmission in the early stages of development, particularly given the reliance developers will have on one another in progressing non-radial OFTO connections (for example in terms of programme delivery and decision-making). We ask that the accompanying guidance is clear on roles and responsibilities to support this necessarily more collaborative approach to infrastructure delivery.
- We have recently engaged with offshore wind developers to understand their views on OFTO delivery models in relation to our Celtic Sea floating offshore wind seabed leasing opportunity (referred to as 'Round 5'). In outline, this revealed:
 - some concern about delivering non-radial offshore transmission assets, particularly around the need to rely on other projects and how to ensure the costs and liabilities associated with delivery of shared connections are appropriately allocated to the relevant parties,
 - a preference for the Generator-Build model, considering the OFTO-Build model has limited precedent in the GB market, and
 - concerns about the investment case for securing the necessary AI for coordinated connection solutions.

Aspects of this feedback have informed our response, and we will continue to engage with Ofgem on the issues raised throughout the review period.

- We suggest that Ofgem considers establishing appropriate benchmarks in the ESA process (such as process, risk management, cost) to enhance robustness, potentially considering international experience.
- We welcome that Ofgem is engaging directly with offshore wind developers, as this should help ensure that the guidance accompanying the AI policy is well understood from the outset. We recommend that the guidance when finalised should be subject to periodic review and evolve to reflect lesson learnt from practical application.

- Should non-radial offshore transmission connections form part of National Grid ESO's network design recommendations for floating offshore wind in the Celtic Sea (Round 5), we would be keen that Ofgem's guidance is tailored where possible, for example by providing a Celtic Sea case study.

2 The Crown Estate

2.1 Who we are

The Crown Estate is a purpose-driven and unique business with a diverse portfolio. We manage the seabed and around half the foreshore in England, Wales, and Northern Ireland, playing a fundamental role in the sustainable development of these important national assets and using data and evidence to facilitate co-location and greater spatial coordination between activities.

Our ownership also includes a substantial rural portfolio, including the world-renowned Windsor Great Park. Alongside this, we operate some of central London's best places to work, shop and experience, as well as regional retail and leisure destinations across the country.

Established by an Act of Parliament, The Crown Estate works to create social, environmental, and financial value, both now and for the future, for its customers, partners, and the nation. We generate 100% of our net revenue profit for the benefit of the nation, contributing £3 billion to the public purse over the last ten years.

2.2 Our purpose

As a business, we actively deliver against our purpose, which is to create lasting and shared prosperity for the nation. We believe we are well placed to create financial, environmental, and social value holistically today and for future generations, by drawing upon our unique attributes to address long-term trends and national needs. Combining our independence and scale of ownership with our ability to convene multiple stakeholders and take a long-term view with patient financial capital, we can play a significant role in creating and accelerating new opportunities – including for the growth of renewable energy. We drive our purposeful activity through three strategic objectives, to:

- Take a leading role in stewarding the UK's natural environment and biodiversity,
- Be a leader in supporting the UK towards a net zero carbon future, and
- Help create thriving communities and renew urban centres across the UK.

3 Our response

The Crown Estate notes that many of the questions raised in the call for evidence are technical or administrative in nature, and as such we are not best placed to provide evidence and/or comment in respect of most of them. However, we set out below answers in those areas where we consider we can usefully input. This feedback is informed by our statutory duties, strategy, and expertise, and we are happy to continue to engage and offer further input to support the review.

3.1 Responses to specific questions

Q1: Do you agree that the later user should assume responsibility for the construction of the coordinated solution should the initial user become delayed?

We support the development of coordinated grid connection solutions where feasible, because a well-designed coordinated grid should result in more optimised outcomes for all stakeholders, as well as the for the environment and wider society.

We do not have a view on whether the later user should assume responsibility if there is a delay with the initial user. However, we are conscious that there may be new risks associated with delivering coordinated grid solutions, especially considering the increased complexity of interfaces between multiple offshore wind developers (and potentially onshore Transmission Owners), and the associated collaboration that may be required. Parties will therefore rely on clarity of regulation and associated guidance, particularly in relation to the roles and responsibilities of the different parties and at different stages of the development process. We encourage Ofgem to continue to engage with developers to ensure that the guidance is clear on this. We also suggest that the guidance should be subject to periodic review and evolve to reflect lesson learnt from practical application.

We note Ofgem's decision in March this year that either the very late Generator-Build model or late OFTO-Build model would be available as delivery model options for developers that have non-radial OFTO connections. We set out in our response to the consultation on this issue that we would be willing to explore delivery models that consider earlier competition that seek to support the overall acceleration agenda for offshore wind, including how these would interact with seabed leasing processes moving forward. We remain keen to explore such options as we evolve our approach to seabed leasing.

Q2: Do you have any views on the Draft Early-Stage Assessment Guidance Document?

The guidance document will be critical for developers to be able to deliver coordinated connections, providing confidence in the process and to support commercial decisions. This draft guidance provided alongside the consultation relevant information related to the technical and cost assessment approach and process, which is welcome.

We have some suggestions for the guidance as follows:

- We suggest that a project timeline could be provided (covering from early planning to project energisation) for the initial user and potential later user. Ofgem may include a timeline assessment as part of the "technical assessment" in the guidance document to ascertain project progress. Considering the dependencies between scope, cost, and timeline, Ofgem could also identify what kinds of timeline delay will be reasonable in the assessment process.
- We notice that thresholds have been suggested in the cost allowance process (+5% for cost increases and -10% for under spend). These thresholds should be kept under review

to reflect the interface risks and costs, technology risks & costs for non-radial transmission.

- Ofgem could consider elaborating on areas such as criteria to trigger ownership handover between initial and later user; the handover process itself (asset valuation, bankability), and a mechanism to resolve disputes.

Further, should non-radial offshore transmission connections form part of National Grid ESO's network design recommendations for floating offshore wind in the Celtic Sea (Round 5), we would be keen that Ofgem's guidance is tailored where possible, for example by providing a Celtic Sea case study. We would be happy to support the drafting of any such section and are happy to explore further.

Q3: Do you have any views on what should constitute material change for projects?

In contemplation of what constitutes material change, consideration may also need to be given to the relative risk profile associated with developing and delivering non-radial offshore transmission solutions compared to radial connections.

Q4: Do you agree with Ofgem's proposed approach to projects which experience material change?

We suggest that Ofgem keeps under review the potential for further changes for material cost assessment beyond the early-stage assessment phase.

Q5: Do you agree with Ofgem's proposed approach to cost disallowances in Anticipatory Investment?

We suggest that Ofgem considers further developing its assessment methodology for cost disallowances, for example including interface risks and costs, technology risks & costs for non-radial transmission. We also note that consideration may need to be given to the relative risk profile associated with developing and delivering non-radial offshore grid solutions compared to radial connections.

4 Concluding remarks

We trust that you will find our comments on the consultation constructive. We would be willing to engage further and provide additional information on any of the points we have raised.

All of this response may be put into the public domain and there is no part of it that should be treated as confidential.

Yours Sincerely,

A handwritten signature in black ink, appearing to be "Richard Clay".

Richard Clay,
Senior Manager, Energy Policy & Regulation